

**WASHINGTON STATE TRANSPORTATION COMMISSION
FERRY TARIFF MEETING MINUTES
March 23, 2005**

The ferry tariff meeting of the Washington State Transportation Commission was called to order at 10:00 a.m., on March 23, 2005 at Puget Sound Regional Council, Boardroom, 1011 Western Avenue, Seattle, Washington.

Commissioners present at the meeting were: Chair Stedman, Ed Barnes, Bob Distler, Dick Ford, Elmira Forner, A. Michèle Maher and Dan O'Neal.

BRIEFING ON TARIFF POLICY COMMITTEE RECOMMENDATIONS

Chair Stedman called the meeting to order and welcomed meeting participants. He shared that public input received regarding tariff recommendations was very important to the process.

Ray Deardorf, Planning Director, WSF, provided an overview of the original tariff proposal along with a review of public comments. The Tariff Policy Committee (TPC) recommended amendments to the original proposal that included frequent user policy changes, changes to severability policies for EFS and general fare increases. WSF held thirteen public meetings throughout the service area collecting public comment. The number of comments is substantially higher than the last two tariff cycles. The primary reason is that customers were very concerned about the changes in frequent user policies and the implications of the new electronic fare system. The single issue that generated the greatest response were the proposed changes to the frequent user discount policies. The primary concern was that thirty days is not enough time and that the expiration date should be kept at ninety days. The TPC amended the original proposal to address the concerns about the changes in frequent user policies.

Alice Tawresey, Chair, Tariff Policy Committee, provided an overview of the amended tariff proposal. The TPC proposes to eliminate the two-tiered approach, retain the current discounts, number of trips and expiration periods for frequent user products. System wide (every route except Anacortes-San Juan Islands) policies (car & driver, passenger, motorcycle): 10 round trips in 90 days at a 20 percent discount. Anacortes-San Juan Islands Policies: car & driver, 5 round trips in 90 days at 25 percent discount, passenger, 10 round trips in 90 days at a 35 percent discount, motorcycle, 10 round trips in 90 days at a 25 percent discount. To address concerns about severability issues, while continuing to lay the foundation for the eventual implementation of SmartCard the TPC recommends: simplifying transactions at the terminal and to make policies more family friendly on the same trip customers can share a passenger card. There would be an explicit exemption for senior/disabled and youth from the five percent tollbooth surcharge for multiride products purchased after May 1, 2006. The proposed amendment to the frequent user policy would result in an overall average fare increase of 7.1 percent. The proposal would also include youth discount changes to 6-18 years of age, elimination of quarterly and annual passes, as well as changes to overweight and buses, and new commercial account program language.

Mr. Deardorf noted that the amended proposal to raise the general fare increase to maintain the revenue gain from the proposed changes to frequent user policies is a substantive change to the original proposal. This will require that a supplemental notice be filed with the code reviser to reopen public comment only on the proposed variance as required by RCW 34.05.320. The possible implications to this approach would require the Commission to hold a second public hearing. This delay would shift the implementation date for the fare increase to June 1, 2005 from May 1, 2005. He also noted that all fares would be rounded to the next dime. This approach would help mitigate the revenue impact of the changes, but would change the rounding policy for car & driver from quarter rounding to dime rounding and be closer to the intent of discussions with policymakers on fare issues. If the Commission chooses to take action today, a supplemental CR 102 would need to be filed no later than March 23, 2005. A new public comment period on the proposed changes would need to be held March 23-April 26, 2005, with a tentative hearing date of April 26, 2005. If the Commission does not act to proceed with higher fare option, the Commission can adopt the original proposal with the proposed revisions to the discount policy and implement new fares on May 1, 2005.

Commissioners expressed various concerns regarding the implementation of new fares and farebox recovery.

Chair Stedman opened the meeting for public testimony.

PUBLIC TESTIMONY

RHEA MILLER: I've been asked to represent the people from San Jan County so I will be the only one speaking. With me are Commissioner Lichter and Commissioner Ranker. I am the Chair of the Board of County Commissioners and I want to thank you for this opportunity. I also represent 3,900 signers of a petition and that's the most we've ever had on any petition, considering our population is approximately 12,000 people. I want to thank you considerably for the revised proposal that the Tariff Policy people have come back with – the severability, the ninety days – these changes are so very important to our community and I want to thank you all for listening – going out to the public hearings and actually listening. And as someone who has to listen in a lot of public hearings, I know that's a trial sometimes, but I appreciate it very much. I've also spent extensive time with Mike and with Doug MacDonald. I understand the dilemma that you are under with the transportation beyond the ferry system, and it was I thought a very extensive conversation that we had and we are aware in San Juan County of the many issues, not the least of which is the price of fuel. I want to say that the San Juan islanders very much believe that those who use the tickets the most should get the discounts. It's just a fact of life that we cannot commute like you do down south. We have anywhere from three to five hour waits and we have to be in line sometimes as much as an hour. Today I was in line forty minutes before the ferry sailing to make sure I could get on that ferry. So it's impossible for us to have any kind of daily commute. Nevertheless, we do have our own style of commuting and it is for specific residence and we very much appreciate the fact that there is a discount for those of us who use it the most.

The second thing I just have to mention briefly about the tollbooth, the five percent surcharge. This, from our perspective, comes from an urban mindset.

I just tried to fill out my public disclosure form on the computer from my computer at work – I couldn't do it because I didn't have the latest Adobe. I finally called them up and I asked them to fax it to me. The way people in the islands use the ferry system – because we have anywhere from a three to five hour wait – if a kid breaks his arm, if the water heater goes out, if Uncle John dies, we head for the nearest ferry and believe me we're not going to go home download on our computer to get the proper ticket to get there. And I have to tell you it's just a stretch to believe that kiosks are coming to the islands because we don't have much in the way of those kinds of things anyway. But I'm sure they're going to get there, but to penalize islanders because they are tearing up to that tollbooth at the last second to be charged an extra five percent, it's really difficult for us. So I just had to say that I don't like that idea at all. It will be hard on islanders. We are not as computer literate as you are down here, nor do we have the fiber optic for everybody down the road.

We understand the fuel hike prices that you're under, but I believe in one Washington. I believe that this is a statewide issue. San Juan County is a national magnet for tourists. We are a very vital part of the community because we provide a place where people really want to come. One of the reasons they want to come is that green and white ferry boat. But for the people that come to the islands, they come because we are a tight safe community and that's why they come. And what makes our community safe and tight – it's the ordinary working people. We have the highest per capita income in the state basically, but you know what, it's not the people working. We have the lowest wages in the state. We have the highest number of working parents who are at the poverty line with kids because their combined wages still leave them in poverty. Forty percent of the kids in school on Lopez Island qualify for federal funding for the lunch program because they live in poverty. We have the highest cost of living in the state, the highest cost of housing. So the people that are working there and making this a place that everybody wants to come, including tourists, are people who love the lands. They're not consumers. I had guys come from the mainland to deliver a semi truck of material and they said, how can you stand living here, there's no place to shop. Well we're not there to be shopping and we work really hard to keep our schools going, to be able to have our EMTs and firefighters – we struggle. So I am the one that said, if this burden gets put on the ferry riders, it's going to break the back of our working community and I have to say that again. I really do hope the fuel crisis is something we can address statewide, because if it does come to our community on the working folks, it won't work. We'll see an increased exit of what we call our endangered species, which are 18-35 year olds. Thank you very much for this opportunity.

MICHAEL LAUVER, Whidbey SeaTac Shuttle: I am a Commercial Operator and here to speak on a few issues. I have a couple prepared comments, but first having listened to what's gone on this morning, I want to compliment TPC on making some changes to address a number of the issues that we had concerns with already. However, I have to state that I think the eleventh hour nature of this hearing with the noon deadline is very poor timing on the filing for public notice and the thirty-day period here. I represent Whidbey SeaTac Shuttle, which is a regulated industry under WUTC, and frankly that Commission would not accept a filing that had a deadline date commensurate with the hearing date. We have to have things in enough of a timeframe that the Commission can be fully apprised of the situation.

Listening to the banter going back and forth this morning, I don't really feel that full disclosure has been made to the Commission, the numbers are unclear and they're still obviously a work in progress. So I'm a little distraught to see that this gun has been put to the head of the Commission to take action here instantly on information that they really don't have completely before them.

Having said all that, I still am happy to see the progress that has been made. One of the things that I wanted to point out here this morning is that we are a shuttle service and we are a very high frequency user of the Clinton Mukilteo Ferry. On our current schedule we make twelve crossings a day, 361 days a year. All of our vehicles are under twenty feet in length and therefore, we are currently denied commercial status under the interpretation of the tariff by WSF staff. We provide a vital and necessary service to the residents of Whidbey Island and by necessity must utilize the ferry as part of the highway system. First, I'd like to state that as an island business and as an island resident myself, I feel that we're penalized for five and one-half months a year by what we feel is sort of a punitive fare structure that calls for a "peak season surcharge." This extra charge is not only a significant financial burden, but is applied during a period of what we perceive as a reduced quality of service in the form of long lines and wait times. Service is not increased commensurate with the level of the surcharge, but actually just the reverse is true. So as island residents we get to pay more for less. As a business regulated by WUTC that relies on WSF and has virtually no control other than this small input at this hearing over the rate structure, we must absorb these increases with only a very very limited ability to pass them on to the consumer. Our rates and tariffs are set by that Commission and we can't just adjust accordingly whenever the ferry system goes up. Island residents and commercial operators that must rely on WSF as part of the highway system should be exempt from peak season surcharges. We are not discretionary travelers; we are not summer tourists or occasional users. The ferry is our link to the rest of the state. And as Alice, I believe it was, mentioned zip code based fare structures would address some of this and under the new business development situation that is apparently going on with the new tariff, perhaps we can work something out for commercial operators along this line.

Secondly, I'd like to point out relative to the peak season surcharge. It's really not applied during a peak season, but it predates it by a month or more under WSF's current proposal if you measure by traffic, and predates it by six weeks if you go by peak season implementation of service. On the backside the proposal eliminates increased summer frequency in mid-September yet keeps the surcharge in place until the second Sunday in October. The current proposal is to move the beginning of the peak season's surcharge forward to an earlier date without adjusting the peak season end date. WSF proposes only to provide peak season service during three and one-half months of the five and one-half month peak season surcharge period. This, like the reduced period for commuter fares, is just another disguised attempt to increase fares without actually stating a fare increase. That concludes my comments.

JOHN SOLIN: I'm from Coupeville on Whidbey Island. I'm here today as a taxpayer, as a small businessman from Oak Harbor and Coupeville, and as an individual who pays the state ferry system over \$3,000 per month in ferry fees.

As we are aware Washington State Ferries is a monopoly and unfortunately at times they have acted as a monopoly or as the classic 2,000-pound gorilla. The original pamphlet as proposed went out for two months of public hearings starting in February. Only until March 17th, I believe as posted on the website, was the "revised tariff" going from five percent to six percent to an effective seven one percent mentioned really to the public, so the public hasn't had much time to comment on that revision since their last meeting was held, I believe on March 2nd or 5th under the original proposal. I don't think they have distributed the information to the public accurately and correctly and in a timely manner. My comments were written two days ago before we heard any of the discussions today about the ninety day to sixty day to thirty day changes or going back to the original ninety day tariff book and so some of this may seem a little redundant, but I'd still like to make the comment. The response was as soon as the ninety to thirty day proposal was removed, the 1.7 million dollars became a necessary increase and to get that the proposal was converted from a five percent to a six percent. But then because of rounding, and again the Ferry System is not being very accurate to the public about how they really publish the rounding. We all know they round up, but when you hear rounding, you usually think of classic math rounding. So their math I think leaves a little to be desired. This rounding if we go even to the ten cent rounding, does not change it from a five percent to a six percent it changes it even more. And under the twenty-five cent rounding it changes it to a 7.1 percent overall and in the example as high as a 7 ½ percent. I don't think this is fare and has resulted in misleading to the public. If you take their same example and you come up with a fare that with the five or six percent came to \$10.26 it would turn into a \$10.50 fare or a \$10.30 fare, either way it is not five percent, it's not six percent. So what can we do about getting the gorilla back in the cage? I think you need to look closely at getting them back to operating on a budget that requires that they demonstrate the costs have been cut to the bone. They'll say we did that, we did fifteen percent over our 2001 operating, as they've stated in their press releases, but I don't think they're looking at what we can do beyond to come up with a proposal that does not result in a 5, 6, or 7.1 or 7.5 percent increase. We all have to operate in a budget. I don't want to get into a discussion about the fuel issue. I agree that that is a legislative issue. We're talking about running a system that has wages and salaries and operating expenses like every business and we can't just arbitrarily raise our rates all the time when we need more revenue. We have to look at our expenses. I think they need to look at their expenses again. The taxpayers deserve full honest disclosure with all of the information. We already saw it here this morning. We're throwing out a number over here. The Commission is saying what is this, where did it come from, just a minute let me correct that number. My apologies – I'm not picking on you. I'm just saying, you saw the process. The process is not clearly defined. I don't believe this Commission has all of the information they need to make an honest decision. It's time that we just say no to increases that are well beyond the cost of living increases that have occurred in this state. We saw the public outrage, justifiably so, when the 20 percent rate came in. The Ferry System has been selling a 5 5 5 program, publicly they have been selling a 5 percent increase between now and 2009 for the past two years and then CPI raises after that. But what happens when they don't get what they want, they say give us 6, give us 7, give us 7.1, give us 7.5. This has got to stop. Thank you.

JIM ENGLISH: Having listened to the discussions that have taken place so far, obviously what I'm about to say I think adds even more credence to what I'm about to say. I am President of the Vashon-Maury Island Community Council and I'm here this morning to read into the record a statement that parallels a letter I sent to key representatives of this committee, the Tariff Committee, and Washington State Ferries several weeks ago whose message requesting that an economic impact study be conducted before implementing these proposed changes in fare collection changes appears to have gotten lost somewhere in the shuffle. This statement is meant to reemphasize that message and add a face to a very earnest request for said economic impact study. The statement reads: As President of the Vashon-Maury Island Community Council (VMICC), I am expressing our community's collective concern regarding the negative economic impact that Washington State Ferry System's proposed changes to its fare and collection structures will have on island citizens and businesses. And that's not just Vashon, of course. We were prepared for a 5 percent increase in fares this spring, as painful as that would be. But the additional changes being proposed, even more so today, even with the changes that they have suggested this morning are already going to further compound the economic hardships already being experienced by those island citizens, particularly many of our older and younger residents who are less able to pay these increasing costs and our smaller island businesses who are even now struggling to make ends meet. We are not a bedroom community, but a diverse water locked island population with a business center and community identity that are entirely dependent upon Washington State Ferries for our transport on and off the island for employment, resupply, family connection, recreation, the list is endless. The fare and collection proposals under consideration could easily change all of that by unfairly penalizing islanders who do not have the alternative to and from travel options enjoyed by other island or mainland communities served by Washington State Ferries. The VMICC unanimously passed the following resolution at its February 21, 2005 general membership meeting. It reads: Because Vashon and Maury islanders are entirely dependent upon ferry service for their on and off island transportation needs and Washington State Ferries is proposing major changes to the fare structure and the manner in which fares are collected and these changes are clearly on a fast track, Be it resolved that the VMICC Board and membership support the following urgent motion: Before the Department of Transportation changes the fare structure and collection method on routes served by WSF, the VMICC requests that there be an economic impact study of the proposed changes upon ferry dependent and ferry impacted communities. We urge you to conduct this economic impact study to assure yourselves and us that the proposed fare and collection methodologies are fair to all affected communities. And I think just based on the conversation that I heard back and forth across the table today there is even more credence for that. As important that they are truly necessary at this time or whether they can be moderated over time to minimize their anticipated economic impact and the resulting hardships on individuals and businesses alike. Now we're told that such an economic impact study does not require a formal process, but could be authorized under existing DOT policy. Doing so, we understand too, would also be consistent with language and legislation currently before the Legislature that would give you, the Transportation Commission, the latitude to consider the effect, including economic, of proposed tariff changes on frequent users who live in ferry dependent communities.

Clearly, we would greatly appreciate your concurrence that the aforementioned economic impact study should be performed before any tariff or collection methodology changes are implemented. Thank you very much for your time.

DAVE VOGEL: have been ardent in cutting costs through cutting middle management and I think that is something that is shown or at least indicated in the handout that I've given to you. What I've done in the percentages in calculating the percentages is I've taken years 1999 and combined it with 2000, so you have a two year average there, and then combined years 2003 and 2004 so you have a two year average there. You have a four year difference between the two averages, so from 1999 to 2000 as opposed to 2003 and 2004, we see that the ferry service has had an 8.3 percent decrease in the traffic. During that same four-year period the revenue that has been generated has increased by 32.5 percent. If you look at the vessel operating expenses, they have increased by only 2.9 percent. The terminal operating expenses have increased by 3.8 percent. The maintenance expenses have been absolutely unchanged – 0 percent difference between the two year periods 1999-2003 2004, but then we have to look at management and support. In the years 1999 and 2000, the average for that was approximately 19.5 million dollars – less than that, excuse me, about 19.3 million dollars. If you look at the average between 2003 and 2004, that number was closer to 30 million dollars. So you have over a 10 million dollar increase over a four-year period – approximately 2.5 million dollars per year over a four-year period, which translates to a 54.8 percent increase. Now I don't know all of the justifications for these increases. It could be bookkeeping on the part of DOT and the ferry service. I don't know the facts, but I do know that if I were the CEO or the CFO of a private corporation and I saw this increase in management and support, I would be shocked and the first thing I would call for is an independent evaluation of these numbers. The ferry service has traditionally and over the twenty years I've been a commuter, I've seen and I've heard rumor of this tremendous increase in management with no correlated increase in service and it's always bothered me, but when I look at the numbers here over this period of time, it brings it to home. What I think is necessary is to hire an independent consulting group to look at the ferry service and see what cost cutting measures are necessary. I'd be happy to answer questions.

COMMISSIONER O'NEAL: The only thing I would note here is that the expenses did go down in 2004 versus 2003.

DAVE VOGEL: I don't know if you have a fully operating system by comparison because we did cut back on some of the passenger ferries. We eliminated some of the passenger ferry runs during that period of time and I think that could very well account for that decrease.

CONSIDERATION OF AND POSSIBLE ACTION ON TARIFF PROPOSAL

Commissioner Ford moved, and Commissioner O'Neal seconded that the amended version of the tariff proposal be approved for publication, understanding that the amended version is subject to further public hearing. The motion passed unanimously.

Commissioner Distler requested that WSF ensure that the content of the proposal is available for public comment.

Chair Stedman noted that the Commission recognizes that the amended version of the tariff proposal be made available for public comment.

Commissioner Ford noted that there is pressure on all sides to maintain the ferry system. One of the problems faced is that if offsetting dollars (farebox recovery) are not adequate there may be reductions in service.

Mike Anderson, Assistant Secretary, WSF, commented that if fuel costs continue to rise, or stay at today's level, it will be necessary to reduce service or find ways to pay for fuel costs whether it's through a fuel surcharge or possibly eliminating some services. One other option that is available is to shift funds from the capital program to the operating program to pay for the spike in fuel costs.

Commissioner Distler commented that a delay to a capital program would be very alarming.

RESUME PUBLIC TESTIMONY ON POTENTIAL FUTURE TARIFF PROPOSALS

VICKIE MERCER: I'm the third of the Vashon contingent this morning and I brought with me today a folder of all of the news clippings from our local newspaper relative to the ferry issue in the last two months. Ray and Susan are on our page #2 as a result of the hearings last week. I come to talk to you today as the Chair of the Transportation Committee from our Community Council and also as a new member of the FAC from Vashon and I have an idea on the table that is revenue generating that I have floated and I think it's a very novel idea. That is to rent a billboard space at Southworth and to advertise the four direct sailings going from Southworth and get people to go direct to Fauntleroy and if you could fill that boat with just 25 more cars every day, it's \$300,000 a year more revenue. It's called marketing.

Anyway, I am speaking on behalf of both of the groups the FAC and the Community Council. We've talked about this issue back and forth lots of different levels – I was not able to attend the hearing from the 8th of February, but I understand our citizenry was very upset. They wanted an opportunity to talk and the meetings were structured so that they did not have that opportunity, so they took that meeting over and they facilitated comment period themselves. I think one of the comments that upset the citizenry the most was that if they perform pass back of tickets, they are committing fraud. And they didn't appreciate having a policy after all these years, to be accused of fraud and I think that maybe WSF really does need to examine that PR issue.

While we appreciate the Tariff Advisory Committee's efforts to make the change in ferry fares more equitable and palatable to the public, we believe there are core issues that still need to be reexamined and adjusted. First, we support and we look forward to the implementation of the new electronic fare system. However, WSF is trying to do so many things very quickly and without adequate study. We have real concerns at

Fauntleroy because we have such severe traffic problems at Fauntleroy – what the new collection system is going to do to complicate those traffic issues. The likely economic impact of the new electronic fare system, along with the fare collection policy changes and the latest round of rate increases, really haven't been studied sufficiently. And that goes along with the call for the economic impact study that Jim English shared with you today. We think this is a gross oversight for such an extensive and sweeping change, which is likely to slow down the traffic and interrupt the flow of people and therefore business across Puget Sound. That's why the resolution from the Community Council was proposed, but we also support bill number 6062, which is the legislation that has been proposed by Senator Rockefeller because that too would call for economic study on the ferry dependent communities. We suggest that WSF advance more cautiously. They should test that electronic system out in a couple of locations first before implementing it system wide. Then also take a little more time to educate the riders – especially to the new terminologies such as severability of tickets, velocity checks, and pass back. I believe that these are three terms that are new terminologies that we are not aware of and all of the ridership is going to have to learn, especially severability. That's kind of a severe word.

We have conducted research of the ways other ferries in the country and in the world operate. No ferry system in the world currently uses an electronic fare system. That means they're all still using paper and this is a fact that WSF has openly acknowledged. In fact, in view of the lack of previous examples of other electronic fare system – that means that this system is really going to be an experiment.

COMMISSIONER FORD: I was in Hong Kong in November and the Star Ferry uses an automated system. You buy a ticket and you put it into the thing like you do in the subway in New York – it's automated.

VICKIE MERCER: Is that for the passengers?

COMMISSIONER FORD: Absolutely.

VICKIE MERCER: Is that also for cars?

COMMISSIONER FORD: They don't carry cars on the Star Ferry.

VICKIE MERCER: And that's what the difference is.

COMMISSIONER FORD: They have a tunnel and you pay a toll there and it's automated – for cars.

VICKIE MERCER: Okay, but I do know that one of our concerns is – is a family going through and how they're going to be scanning all the bar codes. We believe that the 5 percent surcharge policy that is going to be charged at the tollbooths is a mistake. We'd like to see – at least have the system put into place and have it tested first before that policy is implemented.

Secondly, at the March 16th Tariff Policy meeting it was made clear that the Legislature is not adequately funding WSF. And just as mountain roads need to be served – need to serve small communities and they need to be ploughed out and kept in good repair, we islanders pay our taxes and fares with the expectation that our highway – the ferry system – would be available to us in a reasonable manner. I do know that we have taken about an 18 percent reduction in our ferry service over the last three years. So we have made sacrifices on behalf of the state budget. Currently, far more money is spent on traditional highways than is spent on the ferry system portion of the highway system. In an era of spiraling fuel costs and decreased pollution, public forms of transportation should be receiving more funding and not less from our State Legislature. We hope that WSF and the Legislature will look at creative ways for solving the problem of skyrocketing fuel prices, like additional biodiesel or perhaps building their own refinery so that they can maintain a constant supply and lower the cost by cutting out the middleman expense. With a budget line of 20 million dollars last year just for fuel, innovative ways of creating fuel might be looked at at this point.

Third, WSF does not have an adequate way to access input from their customers. The number and types of changes addressed in this year's fare proposal are so many and so dizzying in their complexity. We encourage that WSF address only the basics in the future. Public outreach is typically done, as it was in February, once the plan is already in action, has already been compiled. We suggest WSF solicit input earlier in the process and in a more proactive manner. We suggest they make quarterly phone calls or periodic phone calls to the island schools, the island businesses, or community organizations just to get some sporadic input on what they might suggest when a fare increase or proposals in policy are suggested. We believe such solicitations would help WSF streamline the process while giving the public a real chance to comment on changes that could drastically alter traffic patterns and the way people conduct their lives. During the past comment period WSF received almost 4,000 comments. There is no way anyone could possibly take each of those comments into consideration. However, by soliciting input from the different organizations, WSF can encourage a system where the parents and families and the employees of small businesses or even the larger businesses such as K2 can bring their comments to a head and be of more assistance. We do appreciate the chance to speak and I know that this is every year coming back to you and we hope that we can stabilize the process. Thank you!

BILL WRIGHT: Thank you panel for listening to my comments here. As I spoke before, I have three major points to discuss this morning. First, the failure to provide adequate information about the proposed fare increases. Second, a comparison – the DOT rail program versus the ferry program. Third, what the future will be with the current mindset of the Legislature, the Transportation Commission, and the ferry system – so back to failure to provide adequate information. The totals that were listed on the CR 102 were not presented to community members in any manner in which they could be logically assembled. There were a few handouts that showed fares, but I say once again, the CR 102 is the fare increase that you're presenting to the Code Reviser and it ought to be perfectly clear to everyone what the changes are. I could find upon looking at the Tariff Policy Committee's summary of their meetings that there was virtually no budget information that was presented that was in a comprehensible manner to know what was being subtracted, what was being added, what was on the table at what time.

In the past, the WSF has never explained a statement that they made two years ago that the average yield fare for vehicles is \$7.53 and the average yield for each passenger far is \$1.85. Those numbers are far below any lowest fare you get. Why do we have those numbers? And you can do a sanity check on it by taking the number of riders and the amount of revenue and see what that number is. It is roughly about \$4.65. There is something wrong with the accounting system. There is something wrong with what is considered fare box recovery.

Now on to the rest of the proposed fare increase. RCW requires that they shall consider all possible cost reductions before making this fare increase. I see that the ferry system is adding 59 – 60 full time equivalent employees, which is an increase over what they decreased two or three years ago. Why are they adding these? What justification is there for it? I also look at the proposed budget, and I see that the proposed budget says there will be 7.4 percent increase in '05 and '06 and yet, that's over the '04-'05, but yet only a .2 percent is an increase between 5 and 6 to 6 and 7. That means to me, that they have front loaded for the next fiscal year the increases, and they will be back before you in the coming year with a substantially higher number.

Now they have not considered all cost reductions, because I appeared before this Commission last November stating and asking for clarification on how the ferry system could run an empty boat on Sunday afternoon from Anacortes to Orcas. They published the spring schedule – went into effect on the 20th – it does the same thing. Please explain to the public how you can justify running an empty boat out to an outer island. I don't believe that you can do that.

A comparison of the rail transport to the ferry program. I believe very few people understand that the Dept. of Transportation subsidizes Amtrak. They now say in the Grey Book that it is up to 43 percent fare box recovery on the fares charged by Amtrak, but then in the little side note they say, by the way we got there because Amtrak is not charging us what they had charged us before in calculating fare box recovery. And therein you're going to find the problem throughout any of your mechanisms for determining fare box recovery. What is the number you're trying to recover? Is it operating costs, is it overhead costs, is it the cost of the entire operation including capital? We hear that the federal government is going to desubsidize the Amtrak system and make the state pick up a larger portion of it. Right now the Amtrak payroll alone exceeds its second ticket revenues. We in this next budget year have allocated about 73 million dollars to subsidizing the rail system in the State of Washington.

CHAIR STEDMAN: What's the connection between what we're trying to do with the railroad with the ferry system?

BILL WRIGHT: The connection is that you are subsidizing a mode of transportation for passengers and for the citizens of this state. And you are charging one class of customer a far lesser amount and have set the policy that they need not pay any more of 40 percent of the supposed operational costs. And yet you are setting the station for the ferry system that not only are we going to pay 100 percent of the operating costs, but we are going to start contributing to the capital.

That's the point I want to make and I want the public to know that we buy abandoned railroads in eastern Washington for 7 million dollars and we have budgeted 22 million dollars to fix them up in the future. Where is the pay back to the citizens of this state? Where are they getting any recourse of it?

CHAIR STEDMAN: We're not going to get into an argument about the railroads. What we're trying to do here today is to hear from you and the other people here what you're recommending for the ferry system and we can't spend our day worrying about the other issues which this Commission worries about, which are all the other transportation arenas that we're dealing with. So if you could Bill, we did hear you last November and you gave a very good report at the time. And I hope we can keep this within the realm of what we're trying to do here today on these ferry rates.

BILL WRIGHT: I accept that, however, I have not gotten an answer from last fall yet. So let me move on then to the fact that we talked about and are quite concerned today about when the next ferry fare should come into effect. I will say once again as I have said in the past, that RCW states in pretty clear language that the schedule of charges for the Washington State Ferries begins on a biennium and that is the July 1st, and I will contest that if it otherwise.

The six-year plan is going up – the fare is going up to 372 million dollars. That's a 100 million dollar increase in that period of time for fares. Forty-nine million of that is going to the capital. Who is going to be able to pay these fares? Now, all we get from the ferry system is that we pay the fares or we'll get reduced service. I want to see what reduced service the ferry system can provide within their budget. As an example, I in the San Juans do not want to see you spending 120 million dollars to improve the terminal area at Anacortes when you could be using that 129 million dollars to provide lower fares. Thank you.

ELLEN KRITZMAN: I'm also from Vashon Island and basically just a citizen and retired – senior citizen at that. When I was working I worked in Tacoma and commuted off the south end of the island and I find it a pretty sad comment that 25 years ago there was considerably better service – four boats a day better service – on the south end than there is now with almost twice the population on the island, but that isn't what I came to say today, that's just a preface. I'm disturbed by a number of things, one is that there have been several quotes in newspapers like the Island Sounder that money was not the driving force behind the original fare and system proposals in that riders won't be hit with higher fares elsewhere if convenience fares are eliminated. And yet that's exactly what I'm hearing happening. I find it a problem that the will to accommodate the people doesn't seem to be there; rather we are seen as getting away with something. This has been alluded to once before. For instance, several years ago they instituted collections for the passenger only boats at both ends rather than just at one because we were getting away with only riding on the non-fare end of things. I have to tell you as an islander who has no recourse other than ferries, we don't get away with a thing. We ride the state ferry whether it's passenger only or car ferry and many of us would love to ride the passenger only more frequently but it doesn't have service.

So it's an attitude thing. Recent proposals that I also think included punitive measures – you're talking about fraud in the system – and yet I think there have been instances of fraud among employees and you're putting it on the backs of the riders instead. I find it punitive to talk about the 5 percent surcharge if you don't buy online or at a kiosk. It isn't only senior citizens that don't have access online and no one has been able to explain how in the world we could get out of our cars to go purchase these multi-fare cards at a kiosk while we are on route. The latest claim has been that we're asking for a free lunch by protesting the proposed card coupon book changes. That's really offensive. We have never asked for a free lunch. We have now had four years of raises in rates and we have accepted, as was also mentioned the 5 percent increase, but now we find that that is much more. This is a real burden on a totally ferry dependent, small ferry dependent community comprised of students, elderly with mainland medical needs, small businesses and so on. Speaking for Vashon, we are not a tourist destination and tourist dollars are not at play here. As you move to implement the electronic card system, I would urge that you consider us not frequent users versus non frequent users and what is frequent and all that, but islanders with varying commuting needs and to indeed look at the idea of a resident pass. An example, _____ Island, Florida – I was just down there a month or so ago. They're bound by a bridge connection and the islanders have annual passes. They pay \$3 to go over that bridge – everyone else pays \$6. Finally, I realize that the cuts in transportation funding that came with I-695, but the Legislature should have had a dedicated source of ferry funding both capital and operational before that initiative came along and it still needs to be established. You simply cannot squeeze a whole lot more blood out of this turnip in my opinion. Even an 80 percent fare box recovery is really an unreasonable expectation for public transportation on public highways that happen to be marine. Thank you.

COMMISSIONER DISTLER: I would like to assure the many people we've heard from on Vashon that (1) that we did specifically receive a copy of the resolution that you folks passed, shortly after it was passed actually I saw it; and (2) I don't think anyone on either side of this table is acting or indeed intending to act punitively or arbitrarily with regard to the actions we're taking. We are dependent on a financial structure which we are obligated to uphold so that service is continued to be provided and we are mindful of the need to provide the service and we are also very mindful, and I can speak as a resident of the San Juan Islands, of the impact of larger fares, increased fares, people who are dependent on ferries, but I would also point out to you that this particular year's process shows that the people again on both sides of this table listened and they heard and I think they acted. Thank you.

CHARLOTTE MELLUZZO: I am from Port Orchard. Thank you for letting me speak. I ride the Southworth Fauntleroy ferry five days a week. I went to the open house and I really was just going to let it wash until one of the people that were there during the open house – I mentioned the fact that I buy the cross sound ferry pass but that I don't always commute as a walk on that I drive my car. I was told well you already get one discount so why should you care if you pay full price for the car. That made me mad, so that's when I started doing some research. First of all, the Washington State Ferries are covered by the Department of Transportation as we all know and that is partially funded by gas tax and we all pay gas tax. You don't charge tolls on our freeways but you're charging us extra to ride the ferry.

The Clean Air Act wants us to van pool and car pool and by doing that, we're cutting down on the pollution and gridlock, but by your continuously raising the rates, you're forcing people to drive around which causes gridlock and pollution, so you're counteracting the Clean Air Act. I got some information and that last year the ferry got 35 percent of their money from the federal government. You received 78 percent from ticket sales. That's 113 percent, yet you still want to increase the fares for us. The WSF system is the nation's largest and it also has the largest fare recovery percentage out of all the other ferry systems. Despite losing nearly 3 million riders since 1999 you now generate 36 million dollars more in annual revenue from ticket sales. The stated vision that was at the open house on your handouts was that you wanted to be the most efficient and affordable customer focused ferry operator in the world. Affordable does not compute with an expected 114 percent recovery rate. The 5 percent annual fare increase that was posted on all the sheets and your fliers and everything else – nowhere on it does it say average. When you go to look at the actual individual rate increases for each run, they range from 3.7 to 6.4 and during the peak time it's from 5 percent to 8 percent. So you are guilty of false advertising because nowhere does it say average. Then you're talking about adding an additional 2.5 percent for your – because you're losing your multi-use changes on the ferry pass. So are you going to put that 2.5 percent on everybody as a 2.5 increase, or are you going to again prorate it to wherever you feel is necessary? On your ferry systems that have multiple stops, such as the San Juan Islands, walk on passengers pay the same rate no matter where they're going – whichever island. On the Southworth Vashon Fauntleroy ferry run; Vashon has a cheaper rate than the Southworth people. I know they live on an island, but nobody forced them to live on an island. Southworth pays 15 percent more for a walk on ticket and we're only seven minutes farther. You want accountability – there are people that are commuting to Southworth. If they're on a run that goes to Vashon, they have the option of purchasing a Vashon ticket and staying on to Southworth, so you're losing income right there, but who is picking it up is the people that are paying the right fare that are going directly to and from Southworth. So if you want to make that run cost effective, I'd say you need to make that a fair rate for both stops.

As far as your scanners and scannable cards – you're going to be increasing your costs just on that by buying the machines, the cost of the scanning machines, the cost of the vending machines, the cost of people to maintain those machines, adding employees to manually scan tickets when the machines don't work, the loss of time to load passengers when the machines do not work properly, as well as the passenger frustration when it doesn't because they could be in behind somebody that their ticket won't scan and they want to get on that ferry and so to me – and as far as somebody said the accountability for the paper tickets of reusing them – if they collect the ticket, how can it be reused? That just doesn't work. That's all I have to say and I have been in touch with my legislators.

J. KINGSBURY: I am a resident of Bainbridge Island and I do not envy you guys at all. You guys are getting the wrath of all of this. Quite frankly I came here today because I was incensed over the change from ninety days to thirty days. As a person who attempts to commute – while I do commute on a daily basis, I attempt to commute in a responsible manner; however, if I don't take the bus 18 days a month, it doesn't pay for itself. If I do not take the ferry for at least 16 days, it doesn't pay for itself.

So how many days is that? Quite frankly, if you start to add things up, I get about a half – between my wife and myself we buy two car books and three passenger books for basically a month and a half to two-month period. Now I'm hearing that we will not be able to share our card. So I certainly have a problem with that. One of the things as a commuter when you're out here on Alaska Way trying to get on to catch that last boat and you have people that don't have the right fare or they're in the wrong lane or something causing problems, there is traffic. To say it's an inconvenience and people will be irritated out there along Alaska Way is an understatement. I think by using the card – I work at the Post Office – so I understand that when the price of gasoline goes up – and for us every time gasoline goes up by one cent a gallon it's a million dollars a day of unbudgeted expenses to the postal service. So I understand the cost of the rising rate of fuel and I'm not here arguing about the increases in the price. I don't like the idea of an additional surcharge for not using a kiosk or using internet access, but what I'm worried about – I'm luck enough to go back to DC about one every couple years, and I do my best to use the metro and when you use those cards if you don't know what you're doing, you get pushed aside by the people that do. That's not going to happen in a car. You talk about having people that are angry out there on the roads. You're going to have some absolutely belligerent people as Alice can attest to in the thing over on Bainbridge Island – you're going to have people like that talking to each other out there on the street. I urge you strongly not to go that direction. Again, working where I work, I use an electronic time card – Smart Card – you know they don't work on all occasions. You have to attempt it and then walk to the back of the line let everybody else go through and then attempt it again – attempt it again – if somehow it got magnetized or demagnetized you have problems. I don't know what kind of a system you guys are talking about – maybe a bar code or something. I don't know exactly what you're talking about, but if it's simply one of those magnetic badges, I think that you're going to have problems. I strongly encourage you guys to do some kind of a study or just go out and watch the traffic on Alaska Way during the rush hour and see what it's like. Dan is a part-time commuter and he probably has experienced those days when you're stuck out there in the turn lane and you're going no place for a long time. I think if you go strictly to the cards – and I'm guessing – that you're thinking about getting rid of some of those toll takers out there – you do that you're going to have people backed up out there and I just don't see that as a good viable option to do this. I do agree with a lot of what has been said before and again, I don't envy you guys and what you're trying to do.

RAY ASPIRY: We've had a lot of discussions and it seems to be all about revenue and how we carve that pie up and I don't know how many ways you can carve it up and still end up with more operating capital. Having worked on the Governor's Blue Ribbon Commissions with Joanne Bardine (*sp??*) years ago, set up the first time, Ferry Advisory Committees to coordinate all of the ferry services on a system wide basis and we instituted that program twenty years ago – made a lot of comments, made very little progress. The other part of what I've done is I have copies of the financial statements for the last twenty years on the WSF. In particular, copies of the management letters that talk about all the deficiencies that have not been corrected. Now I don't know how many of you have seen the management letter that goes with the financial statement for the Washington State Ferries. One of those is key, which is part of what I believe you are trying to address. For twenty plus years one of the major items that was cited as a major deficiency was control of revenues at the ticket box.

So this at least begins to address a way to automate that. I have heard no reference to the 15.2 million dollar proposal and what your return on investment is for that system. So let me ask you a question – has anybody modeled that to determine if you do have a return on your investment? Have you negotiated agreements with affected bargaining units to reduce costs? If you haven't, then the burden of all that you're doing ends up on those people who are having to commute and pay for those portions of the funds that aren't being paid for out of tax dollars. That's a major issue. So have you done a return on investment? Have you negotiated with appropriate bargaining units to take a look at ways in which you can operate more efficiently? Those are major management issues that are documented in all your financial reports in the management letters. I could go into lack of inventory control, been repeated twenty times in twenty different management letters. There are at least six of them in that management letter that's been repeated over and over again. At least this begins to address it. Now whether you're addressing it effectively or not, I can't answer because I had no time to study it because I pledged that I wasn't going to come to this meeting because it seems like once you get into it, it's like a tar baby – you get a hold of it, and I empathize with each one of you, you can't let go. Trying to make a difference. I mean Mike Thorne went back to Pendleton and I've had a number of discussions with he and several other Commissioners. How in the world can DOT and WSF use the word fraud – I cannot believe that was used. Even in Dino Rossi's campaign, they're making it a point not to use the word fraud because there were a lot of very effective people who've done a great job in all of the things that are taking place, so let's not make everyone who is paying in advance for their tickets for which WSF gets to use the revenue and earn the interest on a prepaid basis – somebody has to ask the question at some point in time – what color is the money, it's green, and you've got it all, so you get the benefit of the money and the time use value of it because it's prepaid. You get the benefit of tickets that are lost or not used and not redeemed because that adds to your revenue and they never used it. So, rather than fraud, it's an excellent way to get people to prepay and rather than looking at shorter periods maybe longer periods – give me a Smart Card with one year's monetary prepaid funds, throw it away when it's done – it keeps deducting. It's not that complicated. So I would advise somehow that we talk in terms of how to market this more effectively and look at the benefits that you receive by getting people to pay in advance. Keeping in mind that there's an affordability issue for some individuals and some seniors that may not be able to pay a year in advance. But I go forty miles an hour through ticket booths in Chicago and New Jersey in my car and it automatically bills me. I don't have to go to five miles an hour – forty. They have one ticket booth for bypass. The issue you were bringing up – some of those things don't always work – right?

You talk about cost reductions. Every one of our ferries, under the capital budget, is operating under US Coast Guard variance – they're not in compliance. It's unbelievable. But yet we have seventy people in the WSF who are designing boats and terminals. Have we thought in terms of using subcontract capability to use it when you need it – not have it available on an ongoing basis. That's about a 7 million dollar budget item. So rather than looking just at revenue and how to carve the pie seventeen ways to Sunday, let's look at ways in which we can effectively make the system more cost effective. It's operating the same way as it did thirty years ago except we've got more people. I appreciate your time. If you want copies of those management letters, etc., I can probably provide them.

MEGAN SKILLINGSTEAD: I come representing the 18-35 year old contingency on Vashon as well as working for a non-profit and working on the islands. Our two major concerns coming to this Commission were the ninety day expiration period, which it looks like you guys have addressed that already, so we're very grateful that you took that into consideration because myself and the people that I work with try to commute off the island the least amount possible at times just to save money and lower the amount of emissions and things like that. So taking that into consideration that we only usually go off the island once a week, it's been very helpful to raise that date for us. The other major concern for us was having the pass share – where you share the ticket – pass back or whatever you're calling it – where you swipe it for as many people as you have passengers in your car. That was a major concern for us for families as well as we try to car pool together as much as possible and having us not be penalized for car-pooling – I thought that that was very good. Those were our two major concerns that we wanted to bring here today. Thank you very much for addressing those concerns.

GAYLE SOMMERS: I wanted to raise a couple of issues that maybe hadn't been talked about very much as well as some things that have been discussed. One of the big issues that I heard today that is an issue and that is related to public outreach. Bob Distler said exactly what I was looking for. My concern – you know the comment that Mike Anderson made before about well we don't really need to do that much of an outreach – I think is not the way to go. I hope that the state ferry system will spend as much of an effort getting comments from people with this new proposal as you did with the proposal before. Two issues that I would like to raise that are in the old one and then unfortunately carry through to the new proposal – have to do with (1) there is the issue of the whole 5 percent increase or surcharge which has been spoken to by a number of other people. It can be a huge issue for people. I work for a small non-profit on Vashon. We deal with people who are extremely low income. All the services that they need are in – or nearly all of them are in Seattle. A DSHS person comes to Vashon once a month, but if they need food stamps or have some other emergency needs, you know doctor's appointments or something like that that they have to take care of off island, whether it is my agency paying for the ticket or whether it is their somehow scraping together the money to pay for it – not only paying the full price, but having to pay an extra 5 percent because they don't have access to a kiosk or a computer is to me a huge issue. It's charging people who already are at the margins. What do they have to give up in order to pay that extra 5 percent? That's one piece. Other people spoke much better about this issue than I have.

The other has to do with the fact that you will not allow what we call ticket sharing. What was referred to by Sam at the Vashon meeting as being considered fraud – where we allowed, that is we have always been allowed to pass on the car tickets to each other. To me that is an issue for a number of people. For example, my agency – we have two people going to a meeting a Highline West Seattle or to other meetings – they need to take two separate cars because they are coming back at slightly different times but they will be on the same ferry. We're going to somehow have to get two Smart Cards in order to be able to do that. For an agency of our size when we are dealing with decreasing federal funding, decreasing state funding, decreasing county funding it makes it very hard – what meeting don't we go to, who don't we hand tickets out to because of all of this. Those are the two main issues.

The other thing, which really isn't on the table, but that I'd like to raise is a maintenance issue. I remember in years past, like the Issaquah would come back from maintenance and it would be gorgeous. The older ferries, the Nisqually, etc. would all be beautiful when they come back from maintenance. They come back now and they're still full of rust and that's – even though you are planning to replace the ferries, we don't know when that's going to happen and to do something like that when there is no replacement necessarily on tap is I think a major issue that the ferry system somehow needs to address. Those are my comments – thank you for listening and good luck to all of you.

CHAIR STEDMAN: Ms. Sommers, thank you, and remember we're not replacing all the ferries. We're only replacing four. So you're still going to have a whole bunch of others to deal with in the area that you're talking about.

ARMEN YOUSOUFIAN: I'll make it very easy for you. I have nothing to add to what's already been said.

The Commission meeting adjourned at 2:00 p.m., on March 23, 2005.

WASHINGTON STATE TRANSPORTATION COMMISSION

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